



# Transportation Funding Task Force

## Summary of Recommendations

November 10, 2008

The Transportation Funding Task Force, a non-partisan group appointed by the Governor and the Michigan Legislature under Public Act 221 of 2007, reviewed “the adequacy of surface transportation and aeronautics service provision and finance” in Michigan and evaluated alternative strategies to replace or supplement transportation taxes and fees. The Task Force worked with the Citizens Advisory Committee, also created by P.A. 221, to quantify Michigan’s transportation needs and to find efficiencies or reforms that could stretch taxpayer dollars.

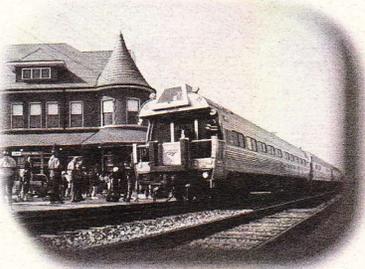
**Michigan must at least double current investment in transportation**, if Michigan’s transportation system is to continue to serve the state adequately. That was the conclusion of the Task Force, after months of hard work and much public input. Although the increase in investment is significant, it is not out of line with transportation investment needs nationally: the National Surface Transportation Policy and Revenue Study Committee, after two years of research and public comment, recommended that investment in transportation by all levels of government increase 150 percent compared to today.

**Despite the magnitude of the funding gap, it can be closed.** Not all the revenue need come from state coffers; the federal government, local government and even the private sector should be partners in this effort. But one or two incremental fee increases will not be enough: it will require multiple – possibly dramatic – changes to the user-fee structure. Most of the revenue alternatives noted in this report will be needed to keep the system running smoothly.

**The federal government is not likely to come to Michigan’s transportation rescue**, and even if it did, Michigan is not in a position to take advantage of new federal funding. This is the last year Michigan will have enough state and local matching funds to claim all federal transportation funding available to the state. Some local agencies are already unable to make use of all federal transportation funding. By 2010, this will be true for all the modes, and all jurisdictions.

**The one choice we cannot afford is to do nothing.** If action is not taken, Michigan stands to lose up to \$1 billion in federal funds each year because transportation agencies will not have enough revenue to provide required matching funds. As a result, more than 17,000 jobs will be at risk. The condition of our roads and bridges will deteriorate, with 30 percent of Michigan roads predicted to decline into poor or fair condition during the next decade. The condition of airport pavements will also decline, with the average airport pavement needing rehabilitation as soon as 2012, and crucial aviation safety programs will be terminated or reduced in scope. Existing local transit services and intercity passenger rail services will be reduced, and intercity bus service to rural areas will likely be eliminated.

**Good transportation will return benefits directly to households and businesses.** It is estimated that congestion, poor pavement condition, and crashes cost Michigan drivers and truckers \$7 billion annually in wasted fuel, lost time, vehicle maintenance costs, medical costs, lost productivity, and property damage. Based on economic analysis conducted by the University of Michigan, the Task Force estimates that investment at the “good” level would provide an average Michigan household an additional \$2,000 per year in increased personal income and savings through reduced travel time and vehicle maintenance, and increased safety.



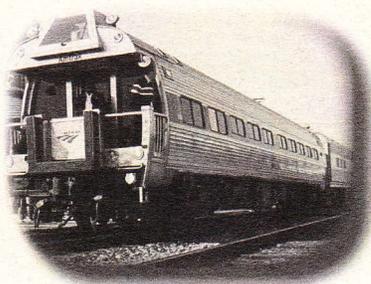
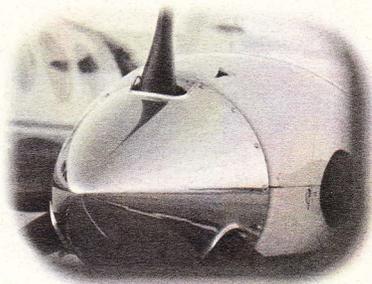
## Summary of Transportation Investment Scenarios

Investment Scenario	Aviation	Highway Road & Bridge	Intermodal Passenger	Intermodal Freight	Total Across Modes
<b><i>Do Nothing</i></b>	<b>\$121M</b>	<b>\$1,900M</b>	<b>\$241M</b>	<b>\$14M</b>	<b>\$2,276M</b>
State & Local Funds	\$16M	\$1,653M	\$193M	\$7M	\$1,719M
Federal Funds Leveraged (avg/yr)	\$105M	\$247M	\$48M	\$7M	\$557M
Federal Funds at Risk (avg/yr)	(\$16M)	(\$954M)	(\$112M)	(\$0)	(\$1,082M)
Jobs Lost	(416)	(13,532)	(3,516)	(N/A)	(17,464)
<b><i>“Good”</i></b>	<b>\$242 M</b>	<b>\$6,136M</b>	<b>\$773M</b>	<b>\$19M</b>	<b>\$7,170M</b>
State & Local Funds	\$79M	\$4,935M	\$508M	\$12M	\$5,558M
Federal Funds Leveraged (avg/yr)	\$163M	\$1,201M	\$265M	\$7M	\$1,612M
Jobs Supported	3,800	87,000	35,100	250	126,150
Other Benefits	(N/A)	\$10,100M	\$4,369M	\$31M	\$14,500M
<b><i>“Better”</i></b>	<b>\$327M</b>	<b>\$12,696M</b>	<b>\$1,336M</b>	<b>\$41M</b>	<b>\$14,400M</b>
State & Local Funds	\$130M	\$11,495M	\$779M	\$34M	\$12,462M
Federal Funds Leveraged (avg/yr)	\$197M	\$1,201M	\$557M	\$7M	\$1,938M
Jobs Supported	5,200	179,000	59,000	600	243,800
Other Benefits	(N/A)	\$20,800M	\$7,449M	(N/A)	\$28,249M

The “good” level of investment will sustain 126,000 Michigan jobs, attract new business, and open new global markets for Michigan products and services. It will yield nearly \$15 billion in other economic benefits for all sectors of the Michigan economy.

- For **highways, roads, and bridges**, a “good” investment level will ensure that the most frequently used roads and bridges remain largely in good condition. It will allow local road agencies to do more than just plow snow and patch potholes, and will preserve local roads in the same condition they are today. It will reduce congestion with road widenings and construction of the highest-priority capacity improvements, and improve safety.
- For **passenger transportation**, a “good” investment level will allow transit agencies to begin replacing aging diesel buses with greener, more fuel efficient vehicles. It will enhance convenience and choice in passenger transportation services and allow implementation of long-overdue travel alternatives, such as commuter rail and light rail in southeast Michigan and bus rapid transit in Grand Rapids. It will provide urban travel options that enhance the environment and make Michigan cities more attractive to businesses and residents.
- For **freight transportation**, a “good” investment will reduce the travel time and increase the reliability of freight shipments on the ground and in the air. It will save lives by improving railroad-highway grade crossing safety.
- For **aviation**, a “good” investment level will create an Aviation Economic Development Fund for aviation improvements needed to attract jobs. It will reinstate currently curtailed programs that are important to safety or can provide new economic opportunities.

The “better” investment level would accomplish even more. It would sustain more than 240,000 jobs, leverage an expected \$1.9 billion in federal funds, and provide more than \$28 billion in other economic benefits. It would allow for infrastructure and transportation service improvements that would push Michigan into the forefront of economic competitiveness within our region and throughout the nation. The “better” level of investment is something to continue to strive for in the future.



## Statewide Revenue Options

*The Task Force considered over 100 revenue alternatives and recommends the following:*

### Immediate Actions

Increase vehicle registration rates

Eliminate registration discounts

Adjust motor fuel tax

Equalize diesel and gasoline fuel tax rates

Abolish 1.5 percent "cost of collection" allowance

Increase aviation fuel tax

Increase aircraft registration fee

Abolish commercial airline refund

### Short Term Options

Reduce Inter-Departmental Grants

Urge increase in federal aviation block grant

Redirect sales tax on aviation products to State Aeronautics Fund

Change aviation fuel tax to a percent of price

Encourage local investment with a broad spectrum of local revenue options

Public-Private Partnerships

Toll-financed reconstruction, expansion, new construction of freeways

### Longer Term Options

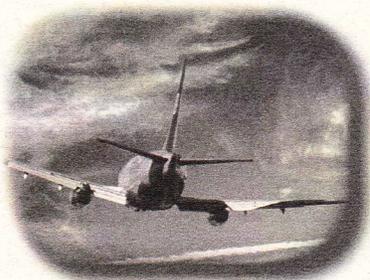
Increase sales tax and dedicate increase to transportation funding

Direct all or a portion of sales tax on fuels to the Michigan Transportation Fund

Direct some (or all) of Natural Resources Trust Fund Revenue to roads

Make reliever/ super-reliever airports eligible for federal primary airport funds

For more information, or to see the full report, click on "View Final Report" at the Task Force Web site [www.michigan.gov/tf2](http://www.michigan.gov/tf2)



# Transportation Funding Task Force

**Dennis H. Gillow**

*Co-Chairperson, Treasurer, International Union of Operating Engineers Local 324,  
representing Labor*

**Richard K. Studley**

*Co-Chairperson, President and CEO, Michigan Chamber of Commerce,  
representing Commerce*

**Senator Glenn S. Anderson**

*Michigan State Senator 6th District,  
representing the Senate Democratic Caucus*

**Representative Pam Byrnes**

*Michigan State Representative 52nd District,  
representing the House Democratic Caucus*

**Cindy B. Elliott**

*Global Supply Chain Sourcing Director, Dow Chemical Co.,  
representing Manufacturing*

**Senator Judson Gilbert**

*Michigan State Senator 25th District,  
representing the Senate Republican Caucus*

**John A. James, Chairman**

*James Group International, Inc.,  
representing Transportation*

**Ann M. Jousma-Miller**

*Executive Director, Delta County Economic Development Alliance,  
representing Agriculture*

**Representative Philip J. LaJoy**

*Michigan State Representative District 21,  
representing the House Republican Caucus*

**Michael A. Nystrom**

*Vice President of Government and Public Relations, Michigan Infrastructure and Transportation Association,  
representing the General Public*

**Roger F. Salo**

*Director of Aviation, Masco Flight Operations,  
representing Aviation*

**Peter J. Varga**

*CEO, The Rapid, representing Public Transit*

**L. Susan Zehnder**

*Vice President of Human Services, Zehnder's of Frankenmuth,  
representing Tourism*

Prepared by: MDOT Graphics \Planning\Transportation Funding Task Force (TF2)\summary of rec.indd 11/08 ge 100 copies printed @ \$0.20 each for a total cost of \$20.

